

## Message Text

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44

ACTION XMB-07

INFO OCT-01 NEA-10 ADP-00 SCEM-02 GAC-01 EUR-25 SS-15

NSC-10 PA-03 PRS-01 USIA-12 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 RSR-01 /154 W

----- 049756

R 120846 Z APR 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 8065

C O N F I D E N T I A L TEL AVIV 2892

E. O. 11652: GDS

TAGS: EAID, BEXP, IS

SUBJECT: ISRAEL ELECTRIC COMPANY GENERATOR PURCHASES

REF: STATE 6167

1. GENERAL ELECTRIC VICE PRESIDENT STEELE LEFT APRIL 12 AFTER LATE- NIGHT SESSION WITH FINMIN SAPIR IN WHICH HE FAILED CONVINCE SAPIR OR ISRAEL ELECTRIC CORP. THEY SHOULD BUY GE GENERATORS. SAPIR DEMONSTRATED INTEREST AND GOOD WILL THROUGHOUT SESSION BUT ARGUED HE COULD NOT OVERRULE ELECTRIC CORP. AND ORDER IT TO BUY EQUIPMENT THAT ON EVALUATED BASIS COST \$52 MILLION WHILE UK COMPETITION PRICED AT \$40 MILLION. HE SAID HE WAS WILLING SPLIT DIFFERENCE IF GE COULD LOWER PRICE TO \$36 MILLION.
  2. GE, WHICH IS TIED IN BY ITS US AND WORLD- WIDE QUOTED PRICES, UNABLE TO MOVE SIGNIFICANTLY ON PRICE. ISRAELIS DISCLOSED THAT US CREDIT TERMS ALSO ABOUT \$2.6 MILLION LESS FAVORABLE THAN UK TERMS. NEITHER GE NOR EMBASSY AWARE OF DETAILS OF EXIM OFFERS, AND IN ANY CASE GE' S INABILITY TO MOVE ON QUOTED PRICE PROBABLY MAKES ISSUE OF CREDIT TERMS MOOT.
  3. EMBASSY WILL REGRET, IF AS NOW SEEMS LIKELY, GE LOSES BID. PROBLEM IN SIMPLE TERMS IS THAT WHILE BASIC DELIVERED
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PRICE OF UK AND US UNITS ABOUT EQUAL, EVALUATION FACTORS INTRODUCED TO COMPARE LONG- TERM COSTS STRONGLY FAVOR UK UNITS. GE UNITS WITH SLIGHTLY SMALLER RATED CAPACITY ARE ABLE TO PRODUCE RELIABLY AT AND ABOVE CAPACITY; UK PRODUCT HAS SLIGHTLY HIGHER RATED CAPACITY BUT HAS BAD RECORD IN UK AND ABROAD FOR OUTAGE AND FAILING TO PERFORM UP TO OR AT CAPACITY. IN GE' S VIEW THESE FACTORS NOT ADEQUATELY REFLECTED IN EVALUATION PROCESS.

4. WE WILL MAKE ONE FINAL EFFORT TO MAKE SURE SAPIR UNDERSTANDS HOW EVALUATION FACTORS WORK AGAINST US FIRM' S BID, BUT WE ARE NOT OPTIMISTIC. ISRAELIS OBVIOUSLY LOOK UPON GE GENERATORS AS CADILLACS WHEREAS THEY NEED ONLY CHEVROLETS.

5. WE WOULD APPRECIATE ANY GUIDANCE EXIM COULD GIVE US ABOUT REPORTED SUBSTANTIAL DIFFERENCE IN CREDIT TERMS. STEELE SAID HE WAS NOT INFORMED SINCE EXIM IN THIS CASE WAS DEALING DIRECTLY WITH ISRAELIS RATHER THAN THROUGH GE. SAPIR MENTIONED HIS JANUARY CONVERSATIONS WITH BOSTWICK AND BOSTWICK' S INTEREST IN EXPANDING US SALES IN ISRAEL.  
ZURHELLEN

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 APR 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GDS  
**Errors:** n/a  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Review Content Flags:**  
**Review Date:** 27 DEC 2001  
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**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980115  
**Subject:** ISRAEL ELECTRIC COMPANY GENERATOR PURCHASES  
**TAGS:** BEXP, EAID, IS  
**To:** SECSTATE WASHDC  
**XMB**  
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